

Tax Help for Restaurants



CALIFORNIA STATE BOARD OF EQUALIZATION



California State Board of Equalization

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VICE CHAIR, 1ST DISTRICT

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California is home to tens of thousands of restaurants, bars, hotels, caterers, and other food service oriented businesses. It's not surprising given the state's abundant population, cultural diversity and robust tourism.

Owning a restaurant or other food service business can be challenging and rewarding.

To be successful, owners must comply with many complicated and confusing tax laws. It's vital to understand these laws so you can stay focused on serving your customers and growing your business.

Please review the information in this brochure and online. Should you need additional assistance, do not hesitate to call the phone number listed below.

500 Capitol Mall, Suite 1750

Sacramento, CA 95814-4470

Telephone: 916-445-2181

Fax: 916-327-4003



How much do you know?

Test your knowledge of sales and use tax issues related to the restaurant industry

1. Is complimentary food taxable?

YesNo
2. Are mandatory tips taxable?

YesNo
3. Is hot food sold to-go taxable?

YesNo
4. Is cold food sold for dine-in taxable?

YesNo
5. Is food that is not sold, but thrown out, taxable?

YesNo
6. Could all of a restaurant's sales be taxable?

YesNo

- Answers:
1. No, complimentary food is generally not taxable, but complimentary carbonated and alcoholic beverages are subject to use tax that is reported and paid by the restaurant on the cost of the item.
2. Yes, mandatory tips and service charges are taxable. Optional tips are not taxable.
3. Yes, sales of hot prepared food are generally taxable. "To go" sales of hot bakery goods and hot (non-alcoholic) beverages such as coffee for a separate price are generally not taxable.
4. Yes, sales of cold food to be eaten at your place of business are generally taxable.
5. No, spoilage, shrinkage and waste are not taxable but must be adequately recorded in case of an audit.
6. Yes, all of a restaurant's sales can be taxed under certain circumstances (e.g., the "80/80 rule").

Learn more at
www.boe.ca.gov/restaurants



The restaurant industry attracts tourism, provides jobs and supports California's economy. It's important for the government to work with taxpayers to help them succeed.

Please call or mail back the card below to request more information.

☐ Yes, I would like more information about tax help for **restaurants**.

First Name

Last Name

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City/State/Zip

Daytime Phone

Email

Cut this card on the dotted line, attach postage and mail. Privacy Statement: Your contact info will not be shared. It will only be used to periodically inform you of important policy issues.





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Return Address:

GEORGE RUNNER

Vice Chair, 1st District
California State Board of Equalization
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Sacramento, CA 95814-4470





While the restaurant industry is made up of many types of businesses, there are important tax issues common to all of them. Contact the Board of Equalization for assistance.

Free tax help for restaurants
www.boe.ca.gov/restaurants